



The Scottsdale/Paradise Valley Tourism Study — *Part II: Visitor Statistics*



November 2014

Tourism and Events Department



Part II: Visitor Statistics

November 2014

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Table of Contents

I. Study Overview	5
II. The Scottsdale/Paradise Valley Tourism Study	6
III. Executive Summary	7
IV. Scottsdale/Paradise Valley Market Area	8
V. Attributes of the Scottsdale Tourism Market	10
VI. Visitors to the Scottsdale/Paradise Valley Market Area	11
VII. Tourism Impacts on Scottsdale	18

Index

Map 1 (Market Area)	9
Table 1-A (Hotel Room-Nights)	12
Table 1-B (Number of Hotel Visitors / Visitor-Nights)	12
Table 2-A (Total Number of Market Area Visitors)	13
Table 2-B (Total Number of Market Area Visitor-Nights)	13
Table 3 (Visitor Spending in Scottsdale)	15
Table 4 (Total Visitor Expenditures)	17
Table 5 (Direct Revenue from Visitor Expenditures)	19
Table 6 (Visitor / Resident Duration of Stay)	20
Table 7 (Municipal Operating Costs Attributable to Visitors)	21

I. STUDY OVERVIEW

Part I: Lodging Statistics

Part I of the Scottsdale/Paradise Valley Tourism Study analyzes trends relating to the lodging industry in the Scottsdale/Paradise Valley tourist market area. The study looks specifically at trends in local transient occupancy tax (bed tax) collection, room inventory, average room rates, occupancy rates, and other factors relating to lodging trends. The Lodging Statistics study is designed to provide necessary data relating to the lodging industry for developers, local hoteliers, tourism marketing representatives, financing agencies, and others with an interest in hospitality industry trends.

The Scottsdale/Paradise Valley Tourism Study, Part I: Lodging Statistics report is prepared annually and is available at no charge from the City of Scottsdale Tourism and Events Department, or <http://www.scottsdaleaz.gov/tourismreports>

Part II: Visitor Statistics

Part II of the Tourism Study analyzes trends relating to tourists themselves. It examines the total number of tourists, their spending patterns and socio-demographic profiles, and the overall economic impact of the tourism industry in the study area. The Visitor Statistics study is designed to provide data that gives a profile of the type of tourist that comes to the area, and to evaluate the economic impact tourism has on the community.

The Scottsdale/Paradise Valley Tourism Study, Part II: Visitor Statistics report is prepared once a year, and is available at no charge from the City of Scottsdale Tourism and Events Department, or <http://www.scottsdaleaz.gov/tourismreports>

The Tourism and Events Department welcomes your input and suggestions for changes and additions in future issues of this publication, and is pleased to grant permission to use excerpts from this material when credit is given to the City of Scottsdale.

While information in this report is deemed accurate, no guarantees are made or implied. Users should rely on their own research and conclusions regarding the conditions and viability of the overall economic impact of the Scottsdale tourism industry.

II. THE SCOTTSDALE/PARADISE VALLEY TOURISM STUDY

Introduction

The purpose of *The Scottsdale/Paradise Valley Tourism Study: Parts I and II* is to provide assistance, through collected industry data, to entities evaluating tourism, retail, or hospitality opportunities in the study area; to provide market information to tourism, retail, and hospitality operations located in the study area; and to provide information to elected officials, city management, and the general public regarding the tourism and hospitality markets.

Study Limitations

The information contained in this study is based on tax collection figures, previous studies, local estimates based on Metro area figures, and other data sources. The City believes these figures provide the best available data.

Definition of Terms

Throughout this study, the following terms will be used in describing visitor statistics:

Areas

Scottsdale – Within the corporate limits of the City of Scottsdale

Paradise Valley – Within the corporate limits of the Town of Paradise Valley

Other Market Areas– Within the Scottsdale/Paradise Valley market area; including portions of East Phoenix, North Tempe, Carefree, Cave Creek, Fountain Hills, and the Salt River Pima Maricopa Indian Community (SRPMIC). (see *Map 1*, p. 9)

Visitors

Hotel Visitor – Visitor occupying a transient lodging room in the market area

Day Visitor – Visitor not staying overnight in the market area

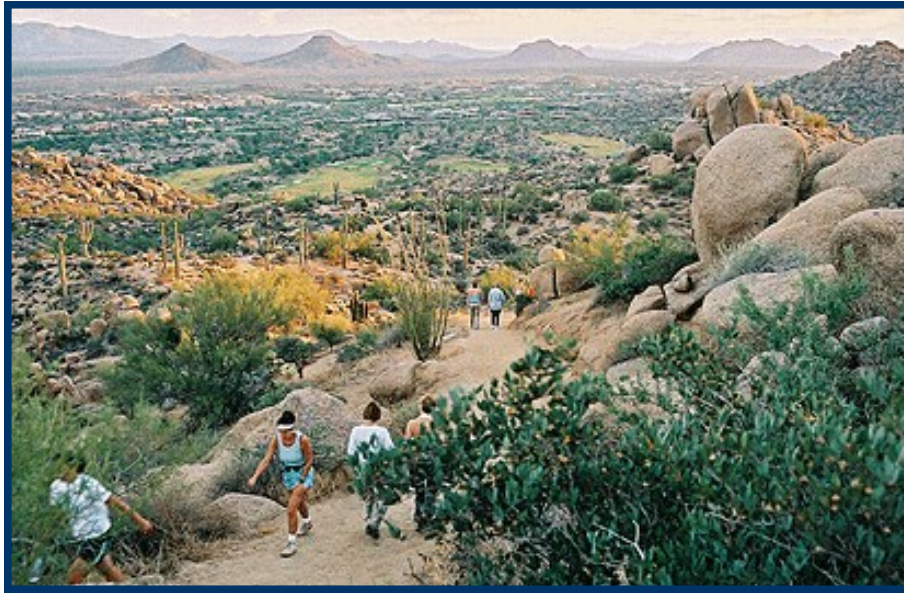
III. EXECUTIVE SUMMARY

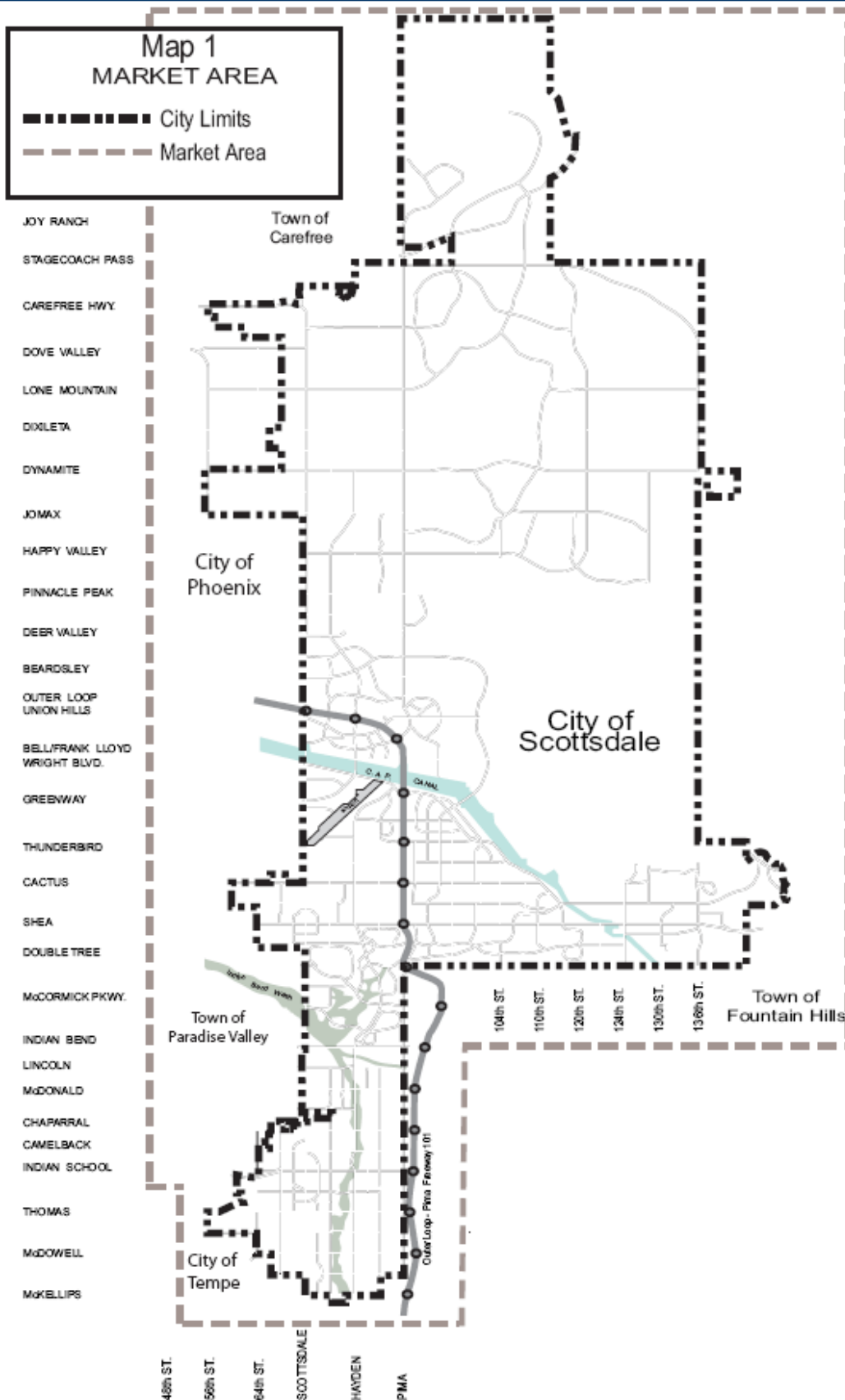
- ◇ Scottsdale hosted an estimated 9.1 million visitors in 2013, with an economic impact of a little over \$4.04 billion.
- ◇ The City of Scottsdale was visited by nearly 7.9 million day visitors in 2013.
- ◇ The typical overnight leisure traveler to Scottsdale is 58 years old with a median household income of \$110,000 according to Behavior Research Center's 2013 City of Scottsdale Visitor Inquiry Study.
- ◇ Tourists to the Scottsdale area have a tremendous impact on revenue for the City. Privilege tax collections attributable to visitors for FY13/14 totaled an estimated \$38 million.
- ◇ The top ten activities participated in by Scottsdale visitors are (in order): dining, shopping, visiting downtown Scottsdale, day trips, Western culture & attractions, outdoor desert activities, Native American arts & culture, art galleries, museums and events.
- ◇ The total number of visitor-nights spent in Scottsdale/Paradise Valley market area hotels in 2013 was 7.13 million.
- ◇ The average room rate for market area hotels in 2013 was \$158.07, and occupancy was 64.9 percent.
- ◇ Scottsdale received a fiscal return of about \$1.14 from visitors for every \$1 spent in operating costs in 2013/14. This is slightly lower than last years fiscal return.



IV. THE SCOTTSDALE/PARADISE VALLEY MARKET AREA

The market area map (p. 9) shows the boundaries of the Scottsdale/Paradise Valley market area. This area contains all of the City of Scottsdale and the Town of Paradise Valley; portions of the cities of Phoenix and Tempe; and parts of the towns of Carefree, Cave Creek, Fountain Hills, and SRPMIC.





V. ATTRIBUTES OF THE SCOTTSDALE TOURISM MARKET

Scottsdale Tourism Industry

The hospitality industry, represented by premier desert resorts and specialty shopping, has characterized Scottsdale's lifestyle for decades. The Scottsdale tourism industry has not shown significant growth in the past few years, but it still remains a vital component of Scottsdale overall economic health.

The evolution of the lodging industry in Scottsdale has paralleled that of the Southwest. In the early days of Scottsdale's hospitality industry, dude ranches and health spas flourished. In the 1960's, the local art industry and specialty shopping districts blossomed as the resort hotel industry expanded. This ultimately gave way to the full service, amenity-laden, recreation properties that have made the resort business in Scottsdale unique, attractive, and successful.

Today, Scottsdale is an internationally recognized tourism destination community widely known for its spectacular golf courses, recreational amenities, climate, five-star resorts, emerging Downtown with its urban "boutique" hotels, exciting nightlife scene, numerous events and attractions, the Sonoran desert, world-class restaurants, and art galleries. All of these factors contribute to positioning the Scottsdale market to emerge strongly as the current economic conditions continue to improve.

Did you know?

In a 2013 survey, 95% of all visitors surveyed rated their Scottsdale experience as excellent or good!



VI. VISITORS TO THE SCOTTSDALE / PARADISE VALLEY MARKET AREA

The methodology used to determine the impacts of the estimated number of visitors to the City of Scottsdale is as follows: the total number of visitors and visitor-nights by category are determined, the respective expenditure patterns and values appropriate to each visitor category are applied and aggregated, and then the total value of visitor economic impact is determined.

Number of Visitors

Table 1-A (p. 12) presents the total occupied hotel room-nights for the Scottsdale/Paradise Valley market area in 2013. The total number of available rooms in each of the three sub-areas (the City of Scottsdale, the Town of Paradise Valley, and the additional properties considered to be part of the Scottsdale/Paradise Valley market area) is multiplied by 365 in order to determine the number of available room-nights. The number of room-nights is then multiplied by the occupancy rate to determine the total number of occupied room-nights. Based on the 2013 average occupancy of 64.9 percent, the total number of occupied room-nights in 2013 was 3,966,639.

Table 1-B (p. 12) shows the total number of visitors to the market area. To determine the total number of visitors, the total number of occupied room-nights is multiplied by the average number of persons per room, providing a figure for total visitor nights (one visitor night equals one person staying one night). The figure for total visitor nights is then divided by the average length of stay. The Behavior Research Center's 2013 *City of Scottsdale Visitor Inquiry Study* reports the median length of stay for Scottsdale hotel guests in 2013 was 5.8 days.

Using these calculations, the total number of hotel visitors in the Scottsdale/Paradise Valley market area in 2013 was 1,231,026.

Table 2-A (p. 13) shows the total number of visitors in the Scottsdale/PV market area in 2013. The "day visitor" category is difficult to determine because there is no accurate way to measure this group. The number of visitors to the metro Phoenix area in 2013 was approximately 1.23 million. The total number of hotel visitors to the Scottsdale/PV market area (1.76 million) was subtracted from this number and a capture ratio of 50 percent was applied to the balance (using the Behavior Research Center's 2000 "Metropolitan Arizona Visitor Study" findings that 63 percent of metro Phoenix visitors frequent Scottsdale/PV; and discounting 20 percent of that to eliminate those visitors who went only to Paradise Valley (50%), making the number of estimated Scottsdale day visitors to be almost 7.91 million in 2013. The 63 percent capture ratio is considered the best data available.

Table 2-B (p. 13) shows the total number of overall visitor-nights for 2013 in the Scottsdale/Paradise Valley market area.

Table 1-A 2013 Hotel Room-Nights <i>Scottsdale/Paradise Valley Market Area</i>				
	Number of Rooms Available*	x	Days	= Available Room-Nights
Scottsdale	9,391	x	365	= 3,427,715
Paradise Valley	1,864	x	365	= 680,360
Other Market Area Properties	5,490	x	365	= 2,003,850
TOTAL	16,745	x	365	= 6,111,925
	Available Room-Nights	x	2013 Occupancy	= Occupied Room-Nights
Scottsdale	3,427,715	x	64.9%	= 2,224,587
Paradise Valley	680,360	x	64.9%	= 441,554
Other Market Area Properties	2,003,850	x	64.9%	= 1,300,499
TOTAL	6,111,925	x	64.9%	= 3,966,639

Source: City of Scottsdale, Tourism and Events Department; Smith Travel Research

*Scottsdale/Paradise Valley "Tourism Study, Part 1: Lodging Statistics"

Table 1-B 2013 Number of Hotel Visitors/Visitor Nights				
	Occupied Room Nights	x	Persons per Room**	= Total Visitor Nights
Hotel Visitors				
Scottsdale	2,224,587	x	1.8	= 4,004,257
Paradise Valley	441,554	x	1.8	= 794,797
Other Market Area Properties	1,300,499	x	1.8	= 2,340,898
Total Visitor Nights	3,966,639	x	1.8	= 7,139,950
	Total Visitor Nights	/	Average Length of Stay*	= Total Hotel Visitors
Hotel Visitors				
Scottsdale	4,004,257	/	5.8	= 690,389
Paradise Valley	794,797	/	5.8	= 137,034
Other Market Area Properties	2,340,898	/	5.8	= 403,603
Total Hotel Visitors:	7,139,950	/	5.8	= 1,231,026

Source: City of Scottsdale, Tourism and Events Department

* Visitor Inquiry Study August 2013 by Behavior Research

** Historical and conservative number from City of Scottsdale, T & E Department

Table 2-A Total Number of Market Area Visitors				
Year	Hotel Visitors	Day Visitors*	Total Visitors	% Change
2004	1,249,492	6,049,732	7,299,224	-0.4%
2005	1,304,968	6,122,295	7,427,263	1.8%
2006	1,299,233	6,928,416	8,227,649	10.8%
2007	1,243,405	7,107,053	8,350,458	1.5%
2008	1,183,146	6,894,877	8,078,023	-3.3%
2009	1,024,467	6,487,767	7,512,234	-7.0%
2010	1,133,254	7,483,407	8,616,661	14.7%
2011	1,068,075	8,165,963	9,234,038	7.2%
2012	1,147,653	7,776,173	8,923,826	-3.4%
2013	1,231,026	7,917,963	9,148,989	3%

*Note= "Day Visitors" calculation is based on regional overnight visitation from the Arizona Office of Tourism.

Source: City of Scottsdale, Tourism and Events Department; Arizona Office of Tourism

Table 2-B Total Number of Market Area Visitor Nights		
Year	Total Hotel Visitor Nights*	% Change
2004	6,479,357	-9.3%
2005	6,785,820	4.7%
2006	7,015,856	3.4%
2007	6,714,389	-4.3%
2008	6,507,302	-3.1%
2009	5,941,910	-8.7%
2010	6,572,875	10.6%
2011	6,728,875	2.4%
2012	6,771,154	0.6%
2013	7,139,950	5.4%

*Refer to Table 1-B

Source: City of Scottsdale, Tourism and Events Department



Visitor Spending Patterns

Table 3 (p. 15) details visitor spending patterns by category and type of visitor. The total dollar amounts spent per person per day are based on bed tax and sales tax revenues, and on previous research. This data has been updated and modified for Scottsdale based on local tax collection data.

Scottsdale visitors staying in hotels allocated their expenditures in the following manner: lodging 39 percent, food and beverage 26 percent, retail 12 percent, local transportation 10 percent, and entertainment 13 percent. Additionally, estimates were made as to what portion of each of these categories was *actually spent* in the City of Scottsdale, in order to determine total expenditures in Scottsdale.

Table 3 also provides estimates of daily spending by hotel guests and day visitors. These figures are based on previous research and estimates that take into consideration existing conditions in Scottsdale and the types of visitors typically attracted to Scottsdale. Hotel guest spending per person per day in 2013 was \$230.01, while the average day visitor spent \$76.67 per day.

Did you know?

The total direct and indirect spending by visitors in Scottsdale in 2013 was approximately \$4.04 billion.



Table 3 2013 Visitor Spending in Scottsdale <i>Scottsdale/Paradise Valley Market Area</i>		
	Scottsdale Hotel Visitor	Scottsdale Day Visitor
Total Spent per Person per Day	\$230.01	\$76.67
Lodging		
% of Total Spent	39%	-
\$ Spent	\$89.70	-
% spent in Scts.	100%	-
\$ spent in Scts.	\$89.70	-
Food & Beverage		
% of Total Spent	26%	28%
\$ Spent	\$59.80	\$21.47
% spent in Scts.	89%	100%
\$ spent in Scts.	\$53.22	\$21.47
Retail Goods		
% of Total Spent	12%	34%
\$ Spent	\$27.60	\$26.07
% spent in Scts.	83%	100%
\$ spent in Scts.	\$22.91	\$26.07
Local Transportation		
% of Total Spent	10%	14%
\$ Spent	\$23.00	\$10.73
% spent in Scts.	50%	100%
\$ spent in Scts.	\$11.50	\$10.73
Entertainment/ Attractions		
% of Total Spent	13%	24%
\$ Spent	\$29.90	\$18.40
% spent in Scts.	75%	100%
\$ spent in Scts.	\$22.43	\$18.40
TOTALS		
% of Total Spent	100%	100%
\$ Spent	\$230.01	\$76.67
% spent in Scts.	87%	100%
\$ spent in Scts.	\$199.76	\$76.67

Source: City of Scottsdale, Tourism and Events Department;
Percentages and dollar amounts are from Behavior Research Center

Total Visitor Expenditures

Table 4 (p. 17) summarizes total visitor expenditures in Scottsdale in 2013. The daily expenditure rate per person from *Table 3* is multiplied by the percentage of those expenditures that are actually made in the City of Scottsdale. The figure is then multiplied by the total number of visitor nights, from *Table 2*, to determine the total expenditures made by Scottsdale visitors.

The total estimated direct expenditures by visitors in the City of Scottsdale in 2013 amounted to over \$1.61 billion. By applying a multiplier of 1.5 in additional indirect expenditures, the total direct and indirect spending by visitors in Scottsdale in 2013 was over \$4.04 billion.

Did you know?

The visitor industry provides an estimated \$38 million (approximately 22 percent) of total privilege tax collections



Table 4 2013 Total Visitor Expenditures <i>Scottsdale/Paradise Valley Market Area</i>					
	Daily Expendi- ture Rate/ Person	x	Total Visitor Nights or Day Visitors	=	Total Market Area Expenditures
Scottsdale					
Hotel Visitor	\$230.01	x	4,004,257	=	\$921,019,153
Day Visitor	\$76.67	x	7,917,963	=	\$607,070,223
Paradise Valley					
Hotel Visitor	\$230.01	x	794,797	=	\$182,811,258
Other Market Area					
Hotel Visitor	\$230.01	x	2,340,898	=	\$538,429,949
TOTAL	-				\$2,249,330,583
	Total Market Area Expendi- tures	x	% Spent in Scottsdale**	=	Total Direct/Indirect Spending in Scotts- dale
Scottsdale					
Hotel Visitor	\$921,019,153	x	86.0%	=	\$792,076,471
Day Visitor	\$607,070,223	x	100.0%	=	\$607,070,223
Paradise Valley					
Hotel Visitor	\$182,811,258	x	37.0%	=	\$67,640,165
Other Market Area					
Hotel Visitor	\$538,429,949	x	28.0%	=	\$150,760,386
Direct Expenditures				=	\$1,617,547,246
Indirect Expenditures*				=	\$2,426,320,868
TOTAL				=	\$4,043,868,114

Source: City of Scottsdale, Tourism and Events Department

*Using a multiplier of 1.5 (Indirect expenditures = Direct expenditures x 1.5)

** Tourism and Events estimates and historical numbers

VII. TOURISM IMPACTS ON SCOTTSDALE

The tourism industry is an integral part of economic activity in the City of Scottsdale, generating over \$4.04 billion in total economic activity within the community in 2013. The tourism industry is one of the most significant sources of revenue for the City of Scottsdale's operations.

Visitor Fiscal Contributions

The visitor industry is a substantial revenue source for the City of Scottsdale's operations, primarily through bed tax and sales tax. Bed taxes are paid directly on room rates. With sales tax, visitor expenditures are directly related in a variety of areas, including hotels, restaurants, miscellaneous retail, rentals, and automotive.

This section looks at the actual collections by the City of Scottsdale and assigns the proportions directly ascribed to visitors.

Table 5 (p. 19) provides a breakdown of all the sales taxes paid in FY13/14 by major category and total bed tax paid. By applying an estimate for each of these categories as to the percentage of the tax received from visitors, total privilege tax collections attributable to the visitor industry is determined. The percentages are estimated based on comparison of increases in sales tax revenues during peak season versus off-season.

Visitor Fiscal Contributions (Cont.)

The visitor industry provides an estimated \$38 million (approximately 22 percent) of total privilege tax collections. Additionally, secondary revenue sources can be attributed to the visitor (property tax, fees for services, etc.); however, these amounts are not considered to be significant.



Table 5
Direct Revenues from Visitor Expenditures
City of Scottsdale

Privilege Tax Industry Sectors	2013/14 Total Privilege & Use Tax Collections	% Tax Attributable to Visitors*	2013/14 Collections Attributable to Visitors
Hotels/Motels	\$8,199,268	94%	\$7,707,312
Restaurants	\$14,022,649	27%	\$3,786,115
Department Stores	\$15,213,552	14%	\$2,129,897
Misc. Retail	\$26,259,016	14%	\$3,676,262
Other Taxable	\$12,154,808	12%	\$1,458,577
Rental	\$20,458,331	10%	\$2,045,833
Food Stores	\$10,886,566	5%	\$544,328
Construction	\$17,946,377	0%	\$0
Utilities	\$7,277,886	5%	\$363,894
Fees/Penalties/Interest	\$2,318,946	0%	\$0
Auto Related	\$20,331,552	5%	\$1,016,578
SUBTOTAL	\$155,068,951	15%	\$22,728,797
Bed Tax	\$15,235,176	100%	\$15,235,176
GRAND TOTAL	\$170,304,127	22%	\$37,963,973

Source: City of Scottsdale, Tourism and Events Department

* Percentage based on sales tax data,



Fiscal Costs Related to Visitors

Once the fiscal contributions have been determined, the next step is measuring the direct and indirect costs borne by the City of Scottsdale as a result of the visitors.

The most significant costs incurred by the City as a result of the visitor industry are the operating expenses from the City's General Fund, including police and fire protection, parks and recreation, infrastructure, maintenance, etc. For this study, these operating expenses have been allocated among the various resident/visitor sub-groups to determine the annual municipal costs attributable to visitors.

Table 6 uses an allocation formula, based on the number of individual "person-days" spent by each group in the community (residents, hotel visitors, and day visitors), and assumes each person in the community uses City services on an equal basis. For example, Scottsdale residents demand services 365 days per year, while visitors to Scottsdale demand services (on average) 5.8 days per year. These percentages are then applied to the municipal operating costs of the General Fund, as shown in *Table 7* (p. 21). In FY13/14 the City of Scottsdale spent an estimate of \$227 million on these services. Based on the allocation of costs, just over \$33 million of Scottsdale's municipal operating costs were used to serve its annual visitor population.

Table 6						
2013 Visitor/Resident Duration of Stay						
<i>City of Scottsdale</i>						
	Number	x	Duration of Stay (Days)	=	Total Person- Days	Percent of Total
Residents	226,918	x	365	=	82,825,070	85.4%
Hotel Visitors	1,764,074	x	5.8	=	10,231,629	10.5%
Day Visitors	7,917,963	x	0.5	=	3,958,982	4.1%
Total	9,908,955		-		97,015,681	100%

Source: City of Scottsdale, Tourism and Events Department; AZ Department of Commerce

Table 7
Municipal Operating Costs Attributable to Visitors
City of Scottsdale: 2013/2014

	% of To- tal*	Resident Share	Visitor Share	Total***
Resident	85.4%	\$194,365,527	-	-
Hotel Visitor	10.5%	-	\$23,897,401	-
Day Visitor	4.1%	-	\$9,331,366	-
Total	100%	\$194,365,527	\$33,228,767	\$227,594,294

Source: City of Scottsdale, Tourism and Events Department

*Refer to Table 6

**FY 2013/14 General Fund adopted budget for direct public service City departments (i.e., Public Safety, Community Service, and Municipal Service) totaled \$227,594,294..

***Resident Share plus Visitor Share

Cost/Benefit Analysis

Scottsdale visitors make a significant contribution to the community's economy. Even with continued conservative tourism growth in the Scottsdale market area, direct expenditures by visitors to Scottsdale totaled an estimated \$1.61 billion for 2013 (refer to *Table 4*). Using a 1.5 multiplier, the total economic contribution (direct and indirect expenditures) of visitors to the community is approximately \$4.04 billion.

Sales tax and bed tax payments by Scottsdale visitors in FY 13/14 amounted to about \$38 million. These are actual dollars that go into the City treasury. Visitor sales tax and bed tax represented approximately 22 percent of Scottsdale's total sales, and use taxes.

In FY13/14, the City of Scottsdale spent an estimated \$33,228,767 million in operation costs to support its visitors (refer to *Table 7*). The cost of supporting market area visitors is less than the tax

revenues received by the market area from visitors (refer to *Table 5*). In fact, it is estimated that the Scottsdale treasury received around \$4.7 million more than it expended in support of visitors, resulting in a benefit/cost ratio of \$37,963,973 to \$33,228,767 or 1.14:1.

The Scottsdale visitor is a cost-effective addition to the community because for every \$1 the City spends in operating costs to serve its annual visitor population, it receives \$1.14 in return. Historically, this ratio has been higher.